

QUARTERLY REPORT

LICENSEE: GREATE BAY HOTEL AND CASINO, INC.

FOR THE QUARTER ENDED DECEMBER 31, 2001

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

Amended

7/9/02

AS OF DECEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents..... Note 3.....	\$ 19,507	\$ 17,758
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$14,406; 2000, \$11,408).....	8,948	10,972
4	Inventories..... Note 3.....	2,431	2,851
5	Prepaid Expenses and Other Current Assets..... Note 14.....	3,024	3,866 *
6	Total Current Assets.....	33,910	35,447 *
7	Investments, Advances, and Receivables..... Note 7.....	9,302	7,918
8	Property and Equipment - Gross..... Note 3, 15.....	184,028	161,166 *
9	Less: Accumulated Depreciation and Amortization..... Note 3, 15.....	(13,016)	(2,706)
10	Property and Equipment - Net.....	171,012	158,460 *
11	Other Assets.....	3,871	2,277 *
12	Total Assets.....	\$ 218,095	\$ 204,102
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 6,843	\$ 9,822
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other..... Note 4.....	19	467
17	Income Taxes Payable and Accrued..... Note 5.....	-	-
18	Other Accrued Expenses..... Note 16.....	14,340	16,543
19	Other Current Liabilities.....	3,818	4,283
20	Total Current Liabilities..... Note 17.....	25,020	31,115
	Long-Term Debt:		
21	Due to Affiliates..... Note 4, 13.....	110,000	110,000
22	Other..... Note 4.....	352	371
23	Deferred Credits.....	-	-
24	Other Liabilities..... Note 18.....	3,839	4,258
25	Commitments and Contingencies		
26	Total Liabilities.....	139,211	145,744
27	Stockholders', Partners', Or Proprietor's Equity.....	78,884	58,358
28	Total Liabilities and Equity.....	\$ 218,095	\$ 204,102

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino..... Note 3.....	\$ 232,370	\$ 229,757
2	Rooms.....	11,570	9,480
3	Food and Beverage.....	29,408	28,323
4	Other.....	4,683	4,500
5	Total Revenue.....	278,030	272,060
6	Less: Promotional Allowances..... Note 3.....	26,217	24,283
7	Net Revenue.....	251,813	247,777
	Costs and Expenses:		
8	Cost of Goods and Services..... Note 3.....	149,358	143,663
9	Selling, General, and Administrative..... Note 6.....	77,932	79,130
10	Provision for Doubtful Accounts..... Note 3.....	4,991	3,059
11	Total Costs and Expenses.....	232,281	225,852
12	Gross Operating Profit.....	19,532	21,925
13	Depreciation and Amortization..... Note 3.....	10,895	11,327
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	8,637	10,598
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	(10,893)	(3,092)
18	Interest (Expense) - External.....	(386)	(407)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(1,238)	(1,921)
20	Nonoperating Income (Expense) - Net.....	606	831
21	Total Other Income (Expenses).....	(11,911)	(4,589)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,274)	6,009
23	Provision (Credit) for Income Taxes..... Note 3, 5.....	-	-
24	Income (Loss) Before Extraordinary Items.....	(3,274)	6,009
	Extraordinary Items (Net of Income Taxes -		
25	2001, \$ - ; 2000, \$ -) Reorganization Costs. Note 2, 19....	-	12,022
26	Net Income (Loss).....	(3,274)	18,031

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino..... Note 3.....	\$ 51,538	\$ 52,026
2	Rooms.....	2,667	2,307
3	Food and Beverage.....	6,883	7,201
4	Other.....	1,039	951
5	Total Revenue.....	62,126	62,485
6	Less: Promotional Allowances..... Note 3.....	6,019	5,915
7	Net Revenue.....	56,107	56,570
	Costs And Expenses:		
8	Cost of Goods and Services..... Note 3.....	35,102	36,259
9	Selling, General, and Administrative..... Note 6.....	16,879	19,779
10	Provision for Doubtful Accounts..... Note 3.....	2,367	1,422
11	Total Costs and Expenses.....	54,348	57,460
12	Gross Operating Profit.....	1,759	(890)
13	Depreciation and Amortization..... Note 3.....	3,199	2,766
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	(1,440)	(3,656)
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	(1,818)	(3,025)
18	Interest (Expense) - External.....	(87)	(108)
19	Investment Alternative Tax and Related Income (Expense) - Net...	(282)	(1,068)
20	Nonoperating Income (Expense) - Net.....	126	323
21	Total Other Income (Expenses).....	(2,061)	(3,878)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(3,501)	(7,534)
23	Provision (Credit) for Income Taxes..... Note 3.....	(590)	-
24	Income (Loss) Before Extraordinary Items.....	(2,911)	(7,534)
25	Extraordinary Items (Net of Income Taxes - 2001, \$ - ; 2000, \$ -)Reorganization Costs. Note 2,19....	-	34
26	Net Income (Loss).....	\$ (2,911)	\$ (7,500)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999	100	\$ 3,500		\$	24,508	\$	(67,602)	\$ (39,594)
2	Net Income (Loss) - Pre-reorganization...							25,531	25,531
3	Contribution to Paid-in-Capital.....					500			500
4	Dividends.....								
5	Prior Period Adjustments.....								
6	Reorganization and Fresh								
7	Start Adjustments	(100)	(3,500)			40,851		42,071	79,422
8	Issuance of New Common Stock	100	-			-			-
9	Net income (loss) - Post-reorganization							(7,500)	(7,500)
10	Balance, December 31, 2000.....	100	-			65,859		(7,500)	58,359
11	Net Income (Loss) - 2001.....							(3,274)	(3,274)
12	Contribution to Paid-in - Capital.....					23,800			23,800
13	Dividends.....								
14	Prior Period Adjustments.....							(1)	(1)
15								
16								
17								
18								
19	Balance, December 31, 2001.....	100	\$ -		\$	89,659	\$	(10,775)	\$ 78,884

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

**STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, _____	\$	\$	\$	\$
2	Net Income (Loss) - _____				
3	Capital Contributions.....				
4	Capital Withdrawals.....				
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7	_____				
8	_____				
9	_____				
10	Balance, December 31, _____				
11	Net Income (Loss) - _____				
12	Capital Contributions.....				
13	Capital Withdrawals.....				
14	Partnership Distributions.....				
15	Prior Period Adjustments.....				
16	_____				
17	_____				
18	_____				
19	Balance, _____, _____	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 4,231	\$ 10,805
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(23,095)	(17,356)
5	Proceeds from Disposition of Property and Equipment.....	4	13
6	Purchase of Casino Reinvestment Obligations.....	(2,838)	(2,817)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	114	441
9	Cash Outflows to Acquire Business Entities (net of cash acquired).....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(25,815)	(19,719)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(467)	(84)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	23,800	5,860
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	23,333	5,776
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,749	(3,138)
25	Cash And Cash Equivalents At Beginning Of Period.....	17,758	20,896
26	Cash And Cash Equivalents At End Of Period.....	\$ 19,507	\$ 17,758

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 10,949	\$ 75
28	Income Taxes.....	\$ 150	\$ 932

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE	DESCRIPTION	2001	2000
(a)	(b)	(c)	(d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (3,274)	\$ 18,031
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment....	10,519	11,115
31	Amortization of Other Assets.....	376	212
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	292	-
35	(Gain) Loss on Disposition of Property and Equipment.....	20	21
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,238	1,921
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	2,061	(419)
39	Net (Increase) Decrease in Inventories.....	420	588
40	Net (Increase) Decrease in Other Current Asset.....	502	(2,566)
41	Net (Increase) Decrease in Other Assets.....	(1,971)	135
42	Net Increase (Decrease) in Accounts Payable.....	(2,979)	1,171
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	(3,188)	1,902
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	215	(6,511)
45	Extraordinary (Gain) Loss on Prepetition Debt Discharge..	-	(14,795)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 4,231	\$ 10,805

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 23,095	\$ 17,356
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 23,095	\$ 17,356
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$ 23,800	\$ 5,860
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ 23,800	\$ 5,860

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO
**SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

Amended

7/9/02

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001

AMENDED

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	281,401	\$ 7,173		\$
2	Food	742,033	11,807		
3	Beverage	3,443,780	5,784		
4	Travel			5,339	2,583
5	Bus Program Cash			758,336	11,381
6	Other Cash Complimentaries			262,810	24,682
7	Entertainment	33,796	747		
8	Retail & Non-Cash Gifts			720,376	4,634
9	Parking			424,956	637
10	Other	88,326	707	192	957
11	Total	4,589,336	\$ 26,218	2,172,009	\$ 44,874

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	62,211	\$ 1,689		\$
2	Food	158,546	2,605		
3	Beverage	724,255	1,418		
4	Travel			1,080	568
5	Bus Program Cash			158,446	2,180
6	Other Cash Complimentaries			47,337	4,651
7	Entertainment	7,989	165		
8	Retail & Non-Cash Gifts			151,854	614
9	Parking			126,152	189
10	Other	17,811	143	76	600 *
11	Total	970,812	\$ 6,020	484,945	\$ 8,802

* Other Promotional Expenses include Slot Tournament Prizes of \$600,000
for The Three Months Ended December 31, 2001.

GREATE BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Organization, Business and Basis of Presentation

Greate Bay Hotel and Casino, Inc. ("GBHC") is a New Jersey corporation and wholly owned subsidiary of GB Holdings, Inc. ("Holdings"), a Delaware corporation. Holdings was a wholly owned subsidiary of Pratt Casino Corporation ("PCC") through December 31, 1998. PCC, a Delaware corporation, was incorporated in September 1993 and was wholly owned by PPI Corporation ("PPI"), a New Jersey corporation and a wholly owned subsidiary of Greate Bay Casino Corporation ("GBCC"). Effective after December 31, 1998, PCC transferred 21% of the stock ownership in Holdings to PBV, Inc. ("PBV"), a newly formed entity controlled by certain stockholders of GBCC. As a result of a certain confirmed plan of reorganization of PCC and others in October 1999, the remaining 79% stock interest of PCC in Holdings was transferred to Greate Bay Holdings, LLC ("GBLLC"), whose sole member as a result of the same reorganization was PPI. In February 1994, Holdings acquired GBHC, through a capital contribution by its then parent. GBHC's principal business activity is its ownership of the Sands Hotel and Casino located in Atlantic City, New Jersey (the "Sands"). GB Property Funding Corp. ("GB Property Funding"), a Delaware corporation and a wholly owned subsidiary of Holdings, was incorporated in September 1993 as a special purpose subsidiary of Holdings for the purpose of borrowing funds for the benefit of GBHC. Effective September 2, 1998, GBHC acquired the membership interests in Lieber Check Cashing LLC ("Lieber"), a New Jersey limited liability company that owned a land parcel adjacent to GBHC.

The accompanying consolidated financial statements include the accounts and operations of GBHC and Lieber. All significant intercompany balances and transactions have been eliminated.

On January 5, 1998, Holdings, GBHC and GB Property Funding filed petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). On August 14, 2000, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Modified Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Proposed by the Official Committee of Unsecured Creditors and High River Limited Partnership and its affiliates (the "Plan") for the Company. High River Limited Partnership ("High River") is an entity controlled by Carl C. Icahn. On September 13, 2000, the New Jersey Casino Control Commission (the "Commission") approved the Plan. On September 29, 2000, the Plan became effective (the "Effective Date") (see Note 2). All material conditions precedent to the Plan becoming effective were satisfied on or before September 29, 2000. Accordingly, the accompanying consolidated financial statements have been prepared in accordance with Statement of Position No. 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"). In addition, as a result of the Confirmation Order and the occurrence of the Effective Date, and in accordance with SOP 90-7, GBHC has adopted "fresh start reporting" in the preparation of the accompanying consolidated financial statements. The emergence of GBHC from Chapter 11 resulted in a new reporting entity with no retained earnings or accumulated deficit as of September 30, 2000. As a result, the consolidated financial statements for the periods subsequent to September 30, 2000 reflect the new basis of accounting and are not comparable to consolidated financial statements presented prior to September 30, 2000.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Financial Reorganization

On the Effective Date, GB Property Funding's existing debt securities, consisting of its 10 7/8% First Mortgage Notes due January 15, 2004 (the "Old Notes") and all of Holdings' issued and outstanding shares of common stock owned by PBV and GBLLC (the "Old Common Stock"), were cancelled. As of the Effective Date, an aggregate of 10,000,000 shares of new common stock of Holdings (the "New Common Stock") were issued and outstanding, and \$110,000,000 of 11% First Mortgage Notes due 2005 were issued by GB Property Funding (the "New Notes"). Holders of the Old Notes received a distribution of their pro rata shares of (i) the New Notes and (ii) 5,375,000 shares of the New Common Stock (the "Stock Distribution"). In addition, \$65,000,000 in cash was obtained from affiliates of the majority shareholder.

Pursuant to SOP 90-7, "fresh start reporting" has been reflected as of September 30, 2000 in the accompanying consolidated financial statements because: (i) the sum of the allowed claims, plus postpetition liabilities, exceeded the reorganization value of the preconfirmation assets of the emerging entity and (ii) Holdings experienced a change of control (as defined in SOP 90-7). SOP 90-7 requires under these circumstances the creation of a new reporting entity and the recording of assets and liabilities at their fair values. In support of the restructuring process, the Company retained an independent third party to determine, among other things, the value of the equity of Holdings. This independent third party set the value of the equity between a range of \$11 and \$14 per share. The Bankruptcy Court, considering the testimony of that third party and others offered at the confirmation hearing on the Plan, accepted this range and used the mid-point of \$12.50 per share for the purpose of determining the value of the unsecured portion of the claim of the holders of the Old Notes. For these reasons, Holdings has set the value of the post confirmation assets of the reorganized entity based upon that value of the equity and the New Notes and by the post petition liabilities assumed. The resulting difference between the equity, New Notes and post petition liability assumed and the liabilities subject to compromise and equity eliminated has been allocated to long term assets based upon a pro rata determination of their fair values, as required by SOP 90-7.

The discharge of debt and "fresh start reporting" have been reflected in the accompanying consolidated financial statements. GBHC's post confirmation consolidated balance sheet as of September 30, 2000 reflects the adoption of "fresh start reporting" and becomes the opening balance sheet for the "reorganized" corporation. The gain from the discharge of debt has been reflected as an extraordinary item.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The effect of the adoption of "fresh start reporting" on the consolidated balance sheet as of September 30, 2000 is reflected in the following table:

Adjustments to Record the Plan of Reorganization

(Dollars In Thousands)

	Pre-reorganization Consolidated Balance Sheet	Reorganization Adjustments	Fresh Start Adjustments	Post-reorganization Consolidated Balance Sheet
Assets				
Current Assets:				
Cash & cash equivalents	\$ 26,373	\$ 59,305	\$ -	\$ 85,678
Accounts receivable, net	8,411	-	-	8,411
Other current assets	9,699	(3,387)	-	6,312
Total Current Assets	44,483	55,918	-	100,401
Property & Equipment, net	165,090	-	(10,624)	154,466
Other Assets	11,576	-	(964)	10,612
Total Assets	\$ 221,149	\$ 55,918	\$ (11,588)	\$ 265,479
Liabilities & Shareholders' Equity (Deficit)				
Current Liabilities:				
Current maturities of long-term debt	\$ 483	\$ -	\$ -	\$ 483
Accounts payable	6,026	-	-	6,026
Accrued expenses	15,295	-	-	15,295
Other current liabilities	3,957	-	-	3,957
Total Current Liabilities	25,761	-	-	25,761
Liabilities Subject to Compromise	216,140	(216,140)	-	-
Long-Term Debt	375	110,000	-	110,375
Deferred Taxes and Other	7,730	(3,387)	-	4,343
Total Liabilities	250,006	(109,527)	-	140,479
Shareholders' Equity (Deficit):				
Common stock - old	1	(1)	-	-
Common stock - new (10,000,000 shares)	-	100	-	100
Additional paid in capital	27,946	150,551	(53,597)	124,900
Accumulated earnings (deficit)	(56,804)	14,795	42,009	-
Total Shareholders' Equity (Deficit)	(28,857)	165,445	(11,588)	125,000
Total Liabilities & Shareholders' Equity (Deficit)	\$ 221,149	\$ 55,918	\$ (11,588)	\$ 265,479

Assuming the reorganization had been effective January 1, 2000, depreciation and amortization expense would have decreased an estimated \$1,100,000 and interest expense would have increased an estimated \$9,008,000 for the year ended December 31, 2000. On a pro forma basis, reorganization costs of \$2,773,000 and the extraordinary gain on pre-petition debt discharge of \$14,795,000 would not have been reported in 2000.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(3) Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are discussed below. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Casino revenues, promotional allowances and departmental expenses -

The Sands recognizes the net win from gaming activities (the difference between gaming wins and losses) as casino revenues. Casino revenues are net of accruals for anticipated payouts of progressive and certain other slot machine jackpots and certain progressive table game payouts. Such anticipated jackpots and payouts are reflected as current liabilities on the accompanying consolidated balance sheets.

The estimated value of rooms, food and beverage and other items that were provided to customers without charge has been included in revenues and a corresponding amount has been deducted as promotional allowances. The costs of such complimentary items have been included in cost of goods and services on the accompanying consolidated statements of operations.

Cash and cash equivalents -

Cash and cash equivalents are generally comprised of cash and investments with original maturities of three months or less, such as commercial paper, certificates of deposit and fixed repurchase agreements.

Allowance for doubtful accounts -

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. Provisions for doubtful accounts amounting to \$2,367,000 and \$4,991,000 for the three and twelve months ended December 31, 2001, respectively, and \$1,423,000 and \$3,060,000 for the three and twelve months ended December 31, 2000, respectively, were recorded in the accompanying consolidated statements of operations.

Inventories -

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market.

Property and equipment -

As of the Effective Date, property and equipment were restated pursuant to SOP 90-7 (see Note 2) and are being depreciated utilizing the straight line method over their remaining estimated useful lives.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Property and equipment purchased after the Effective Date have been recorded at cost and are being depreciated utilizing the straight-line method over their estimated useful lives as follows:

Buildings and improvements	25-40 years
Operating equipment	3-7 years

Interest costs related to property and equipment acquisitions are capitalized during the acquisition period and are being amortized over the useful lives of the related assets (see Note 12).

Deferred financing costs -

The costs of issuing long-term debt, including all related underwriting, legal, directors and accounting fees, were capitalized and are being amortized over the term of the related debt issue. Deferred financing costs of \$180,000 were incurred in connection with GB Property Funding's offering of \$110,000,000 11% New Notes. During 2001, additional costs associated with a Consent Solicitation by GB Property Funding to modify the original indenture for the \$110,000,000 New Notes were capitalized and are also being amortized over the remaining term of the New Notes. Total Consent Solicitation costs amounted to \$2,083,000 in 2001 (see Note 4). For the three and twelve months ended December 31, 2001 amortization of deferred financing costs were \$139,000 and \$174,000, respectively. For the three and twelve months ended December 31, 2000, amortization of deferred financing costs were \$10,000 and \$10,000, respectively.

Long-lived assets -

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. As of September 30, 2000, assets were valued in accordance with SOP 90-7 (see Note 2). As a result of this and subsequent reviews, GBHC does not believe that any material impairment currently exists related to its long-lived assets.

Accrued insurance -

GBHC is self insured for a portion of its general liability, certain health care and other liability exposures. A third party insures losses over prescribed levels. Accrued insurance includes estimates of such accrued liabilities based on an evaluation of the merits of individual claims and historical claims experience. Accordingly, GBHC's ultimate liability may differ from the amounts accrued.

Income taxes -

Prior to 1997, GBHC was included in the consolidated federal income tax return of Hollywood Casino Corporation ("HCC"). GBHC's operations were included in GBCC's consolidated federal income tax returns for the years ended December 31, 1998 and 1997, but GBCC agreed to allow GBHC to become deconsolidated from the GBCC group effective after December 31, 1998. In accordance therewith, PCC transferred 21% of the stock ownership in Holdings to PBV, effecting the deconsolidation of GBHC from the GBCC group for federal income tax purposes (the "Deconsolidation"). Accordingly, beginning in 1999, GBHC's provision for federal income taxes is calculated and paid on a consolidated basis with GB Property Funding and Holdings (see Note 5).

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

New Accounting Pronouncements –

In June 1999, the Financial Accounting Standards Board adopted SFAS 137, which deferred for one year the effective date for Statement No. 133: "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which is now required to be adopted in years beginning after June 15, 2000. SFAS No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS No. 133 will require GBHC to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS No. 133 has no impact on the GBHC's consolidated results of operations, financial position or cash flows.

In January 2001, the Emerging Issues Task Force (EITF) reached a consensus on certain issues within Issue No. 00-22: "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future" (EITF 00-22). Application of EITF 00-22 is required for interim and annual periods ending after February 15, 2001. EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. GBHC has not adopted EITF 00-22 on the accompanying statements of operations but has adopted EITF 00-22 in audited statements of operations for the years ended December 31, 2001 and 2000.

June 2001, the Financial Accounting Standards Board (FASB) issued FASB Statements Nos. 141 and 142 (FAS 141 and FAS 142): "Business Combinations" and "Goodwill and Other Intangible Assets," respectively. FAS 141 replaces APB 16 and eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. FAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under FAS 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. FAS 141 and FAS 142 are effective for all business combinations completed after September 30, 2001. Upon adoption of FAS 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1, 2001 that do not meet the criteria for recognition under FAS 141 will be reclassified to goodwill. Companies are required to adopt FAS 142 for fiscal years beginning after December 15, 2001, but early adoption is permitted. Management does not believe these standards will have any impact on its results of operations or financial position.

In 2001, the FASB issued SFAS No. 143, which addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. Management is currently assessing the impact of this new standard.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In 2001, the FASB issued SFAS No. 144, which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provides a single accounting model for impairment of long-lived assets. Management is currently assessing the impact of this new standard.

In November 2001, the EITF reached a consensus on Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer" (Including a Reseller of the Vendor's Products) ("EITF 01-09"). For a sales incentive offered voluntarily by a vendor to its patrons, EITF 01-09 requires the vendor to recognize the cost of the sales incentive at the later of the date at which the related revenue is recorded by the vendor, or the date at which the sales incentive is offered. Application of EITF 01-09 is required in annual or interim financial statements for periods beginning after December 15, 2001. Management is currently assessing the impact of this new issue.

Reclassifications -

Certain reclassifications have been made to prior years' consolidated financial statements to conform to the 2001 consolidated financial statement presentations.

(4) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2001	December 31, 2000
11% notes, due 2005 (a)	\$ 110,000,000	\$ 110,000,000
Lieber mortgage (b)	-	450,000
Other	371,000	388,000
	<u>110,371,000</u>	<u>110,838,000</u>
Total indebtedness	110,371,000	110,838,000
Less - current maturities	(19,000)	(467,000)
	<u>110,352,000</u>	<u>110,371,000</u>
Total long-term debt	<u>\$ 110,352,000</u>	<u>\$ 110,371,000</u>

- (a) As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, the Old Notes were cancelled and replaced with \$110,000,000 of 11% notes due 2005 ("New Notes"). Interest on the New Notes is payable on March 29 and September 29, beginning March 29, 2001. The outstanding principal is due on September 29, 2005. The New Notes are unconditionally guaranteed, on a joint and several basis, by both Holdings and GBHC, and are secured by substantially all of the assets, as of the Effective Date, other than cash and gaming receivables of Holdings and GBHC.

The original indenture for the New Notes contained various provisions, which, among other things, restricted the ability of GBHC to incur certain senior secured indebtedness beyond certain limitations, and contained certain other limitations on the ability to merge, consolidate, or sell substantially all of their assets, to make certain restricted payments, to incur certain additional senior liens, and to enter into certain sale-leaseback transactions.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In a Consent Solicitation Statement and Consent Form dated September 14, 2001, GB Property Funding sought the consent of holders of the New Notes to make certain changes to the original indenture (the "Modifications"). The Modifications included, but were not limited to, a deletion of, or changes to, certain provisions the result of which would be (i) to permit Holdings and its subsidiaries to incur any additional indebtedness without restriction, to issue preferred stock without restriction, to make distributions in respect of preferred stock and to prepay indebtedness without restriction, to incur liens without restriction and to enter into sale-leaseback transactions without restriction, (ii) to add additional exclusions to the definition of "asset sales" to exclude from the restrictions on "asset sales" sale-leaseback transactions, conveyances or contributions to any entity in which Holdings or its subsidiaries has or obtains equity or debt interests, and transactions (including the granting of liens) made in accordance with another provision of the Modifications relating to collateral release and subordination or any documents entered into in connection with an "approved project" (a new definition included as part of the Modifications which includes, if approved by the Board of Directors of Holdings, incurrence of indebtedness or the transfer of assets to any person if Holdings or any of its subsidiaries has or obtain debt or equity interests in the transferee or any similar, related or associated event, transaction or activity) in which a release or subordination of collateral has occurred including, without limitation, any sale or other disposition resulting from any default or foreclosure, (iii) to exclude from the operation of covenants related to certain losses to collateral any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (iv) to permit the sale or other conveyances of Casino Reinvestment Development Authority investments in accordance with the terms of a permitted security interest whether or not such sale was made at fair value, (v) to exclude from the operation of covenants related to the deposit into a collateral account of certain proceeds of "asset sales" or losses to collateral any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (vi) to add new provisions authorizing the release or subordination of the collateral securing the New Notes in connection with, in anticipation of, as a result of, or in relation to, an "approved project", and (vii) various provisions conforming the text of the original indenture to the intent of the preceding summary of the Modifications.

Holders representing approximately 98% in principal amount of the New Notes provided consents to the Modifications. Under the terms of the original indenture, the consent of holders representing a majority in principal amount of New Notes was a necessary condition to the Modifications. Accordingly, GB Property Funding, as issuer, and Holdings and GBHC, as guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, entered into an Amended and Restated Indenture dated as of October 12, 2001, containing the Modifications to the original indenture described in the Consent Solicitation Statement (the "Amended and Restated Indenture"). In accordance with the terms of the Consent Solicitation Statement, holders of New Notes, who consented to the Modifications and who did not revoke their consents ("Consenting Noteholders"), were entitled to \$17.50 per \$1,000 in principal amount of New Notes, subject to certain conditions including entry into the Amended and Restated Indenture. Upon entry into the Amended and Restated Indenture on October 12, 2001, the Company transferred approximately \$1.9 million to the Trustee for distribution to Consenting Noteholders.

- (b) On September 2, 1998, GBHC acquired the membership interests in Lieber, which owned a certain parcel of land on Pacific Avenue in Atlantic City until transferring it to GBHC in September 2000. Principal mortgage indebtedness at the time of acquisition was \$591,000 and bears interest at the rate of 7% per annum. Principal and interest were paid monthly based on a ten-year amortization schedule. The balance of the note was paid in July 2001 in accordance with the mortgage agreement.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Scheduled payments of long-term debt as of December 31, 2001 are set forth below:

2002	\$	19,000
2003		21,000
2004		23,000
2005		110,026,000
2006		28,000
Thereafter		254,000
Total	\$	<u>110,371,000</u>

Interest paid amounted to \$6,060,000 and \$12,156,000 for the three and twelve months ended December 31, 2001, respectively. Interest paid amounted to \$18,000 and \$75,000 for the three and twelve months ended December 31, 2000, respectively. At December 31, 2001 and 2000, accrued interest on the New Notes was \$3,092,000 and \$3,092,000, respectively.

(5) Income Taxes

The components of the provision (credit) for income taxes are as follows:

	Year Ended December 31,	
	2001	2000
Federal income tax provision (credit):		
Current	\$ 292,000	\$ -
Deferred	(292,000)	-
State income tax provision (credit):		
Current	55,000	-
Deferred	-	-
	<u>\$ 55,000</u>	<u>\$ -</u>

Prior to 1997, GBHC was included in the consolidated federal income tax return of Hollywood Casino Corporation ("HCC"). GBHC's operations were included in GBCC's consolidated federal income tax returns for the years ended December 31, 1998 and 1997 but GBCC agreed to allow GBHC to become deconsolidated from the GBCC group effective after December 31, 1998. In accordance therewith, PCC transferred 21% of the stock ownership in Holdings to PBV, effecting the deconsolidation of GBHC from the GBCC group for federal income tax purposes (the "Deconsolidation"). Accordingly, beginning in 1999, GBHC's provision for federal income taxes is calculated and paid on a consolidated basis with GB Property Funding and Holdings.

At December 31, 2001, GBHC has deferred tax assets including State net operating losses, Federal credit carryforwards and temporary differences. The State net operating losses ("State NOL's") begin to expire in the year 2003 for state tax purposes. A portion of the credit carryforwards, if not utilized, will begin to expire each year through 2004. The remaining credit carryforwards expire through the year 2019. In addition, as part of a

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

certain settlement agreement, GBCC may utilize Federal net operating losses ("Federal NOL's") of GBHC through December 31, 1998 to offset federal taxable income of GBCC and other members of its consolidated tax group. GBHC has utilized the balance of its Federal NOL's in its 1999 (amended) and 2000 consolidated Federal tax returns. Statement of Financial Accounting Standards No. 109 ("SFAS 109") requires that the tax benefit of NOL's and deferred tax assets resulting from temporary differences be recorded as an asset and, to the extent that management can not assess that the utilization of all or a portion of such NOL's and deferred tax assets is more likely than not, requires the recording of a valuation allowance. Due to various uncertainties, management is unable to determine that realization of the Company's deferred tax asset is more likely than not and, thus, has provided a valuation allowance for the entire amount at December 31, 2001.

The Internal Revenue Service is examining the consolidated federal income tax returns of HCC for the years 1995 and 1996 and the consolidated federal income tax returns for GBCC for the years 1997 and 1998 in which GBHC was included (the "Audit"). As a result of such Audit, GBCC management has disclosed in its quarterly SEC Form 10-Q, filed for the quarterly period ended September 30, 2001, that the Audit is substantially complete and has resulted in adjustments to GBCC's Federal NOL's and deferred tax assets. GBHC is dependent upon receipt of information from HCC and GBCC as to the operations of their affiliates and the impact of those operations on the former HCC and GBCC consolidated groups' Federal NOL's. GBHC has not yet received information regarding the details of the Audit adjustments and, therefore, is unable to estimate their impact to the Company's financial position or results of operations.

The State of New Jersey is examining the state corporate business tax return of GBHC for the years 1996, 1997 and 1998. It is management's position that any claims by the State of New Jersey against GBHC attributable to anytime prior to January 5, 1998 is barred by applicable provisions of the Bankruptcy Code. Management is presently unable to estimate the impact of New Jersey's tax audit on the financial position or results of operations of GBHC.

As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, GBHC's outstanding debt was discharged (see Note 2). Pursuant to the Internal Revenue Code, debt that is cancelled or discharged under the Bankruptcy Code does not generate taxable income in the current period to the debtor. Instead, certain tax attributes otherwise available to the debtor are reduced. This attribute reduction is effective for tax purposes beginning January 1, 2001. Management currently estimates that approximately \$14.9 million of GBHC's tax attributes relating to the tax bases of noncurrent assets will be reduced as of January 1, 2001. GBHC also had a change of ownership as defined under Internal Revenue Code Section 382 upon the effective date of the plan. Management currently estimates there will be no significant limitations on the ability of the GBHC to use its tax credit carryforwards on a post confirmation basis as a result of this change of ownership.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(6) Transactions with related parties

GBHC's rights to the trade name "Sands" (the "Trade Name") were derived from a license agreement between GBCC and an unaffiliated third party. Amounts payable by the Sands for these rights were equal to the amounts paid to the unaffiliated third party. As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, GBHC was assigned by High River the rights under a certain agreement with the owner of the Trade Name to use the Trade Name as of the Effective Date. High River received no payments for its assignment of these rights. Payment is made directly to the owner of the Trade Name. The calculation of the license fee is the same as under the previous agreement. For the three and twelve months ended December 31, 2001, the license fee amounted to \$61,000 and \$268,000, respectively. Such charges amounted to \$63,000 and \$281,000 for the three and twelve months ended December 31, 2000, respectively.

There was no interest expense incurred with respect to affiliate advances and borrowings for the periods presented in the accompanying Statements of Operation.

Effective September 2, 1998 and as part of a certain settlement agreement, Lieber obtained the rights to purchase a certain hotel/motel on Pacific Avenue in Atlantic City, N.J. (the "Pacific Avenue Hotel"). The assignment of the rights required a payment of \$500,000 to be paid to a designated affiliate of GBCC at the Effective Date. This obligation was transferred to GBLLC by GBCC and was paid on the Effective Date.

GBHC previously performed certain services for other subsidiaries of GBCC and for HCC and its subsidiaries and invoiced those companies for the Sands' cost of providing those services. Similarly, GBHC previously was charged for certain equipment and other expenses incurred by GBCC and HCC and their respective subsidiaries that related to GBHC's business. Such affiliate transactions are summarized below:

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2001	2000	2001	2000
Billings to affiliates	\$ -	\$ -	\$ -	\$ -
Charges from affiliates	-	-	-	429,000

(7) New Jersey Regulations and Obligatory Investments

The Sands conducts gaming operations in Atlantic City, New Jersey and operates a hotel and several restaurants, as well as related support facilities. The operation of an Atlantic City casino/hotel is subject to significant regulatory control. Under the New Jersey Casino Control Act (the "Casino Act"), GBHC was required to obtain and is required to periodically renew its operating license. A casino license is not transferable and, after the initial licensing and two one-year renewal periods, is issued for a term of up to four years. The plenary license issued to the Sands was renewed by the Commission in September, 2000 and extended through September 2004. The Commission may reopen licensing hearings at any time. If it were determined that gaming laws were violated by a licensee, the gaming license could be conditioned, suspended or revoked. In addition, the licensee and other persons involved could be subject to substantial fines.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The Casino Act requires casino licensees to pay an investment alternative tax of 2.5% of Gross Revenue (the "2.5% Tax") or, in lieu thereof, to make quarterly deposits of 1.25% of quarterly Gross Revenue with the CRDA (the "Deposits"). The Deposits are then used to purchase bonds at below-market interest rates from the CRDA or to make qualified investments approved by the CRDA. The CRDA administers the statutorily mandated investments made by casino licensees and is required to expend the monies received by it for eligible projects as defined in the Casino Act. The Sands has elected to make the Deposits with the CRDA rather than pay the 2.5% Tax.

As of December 31, 2001 and 2000, the Sands had purchased bonds totaling \$6,980,000 and \$6,894,000, respectively. In addition, the Sands had remaining funds on deposit and held in escrow by the CRDA at December 31, 2001 and 2000, of \$11,612,000 and \$9,442,000, respectively. The bonds purchased and the amounts on deposit and held in escrow are collectively referred to as "obligatory investments" on the accompanying consolidated financial statements.

Obligatory investments at December 31, 2001 and 2000, are net of accumulated valuation allowances of \$9,290,000 and \$8,418,000, respectively, based upon the estimated realizable values of the investments. Provisions for valuation allowances for the three and twelve months ended December 31, 2001 amounted to \$310,000 and \$1,341,000, respectively. Provisions for valuation allowances for the three and twelve months ended December 31, 2000 amounted to \$243,000 and \$1,287,000, respectively.

The Sands has, from time to time, contributed certain amounts held in escrow by the CRDA to fund CRDA sponsored projects. In 2001, the Sands contributed \$322,000 of its escrowed funds to CRDA sponsored projects and received \$80,000 in a cash refund and \$84,000 in waivers of certain future Deposit obligations. During the three months ended December 31, 2000, the Sands contributed \$3,310,000 of its escrowed funds to a CRDA sponsored project and received a cash refund of \$828,000 in consideration for the contribution. Prior to this, the CRDA had granted the Sands waivers of certain of its future Deposit obligations in consideration of similar contributions. Intangible assets aggregating \$1,010,000 and \$1,211,000, respectively, have been recognized on the accompanying consolidated balance sheets at December 31, 2001 and 2000, and are being amortized over a period of ten years commencing with the completion of the projects. Amortization of intangible assets totaled \$51,000 and \$202,000 for the three and twelve months ended December 31, 2001, respectively. For the three and twelve months December 31, 2000, such charges amounted to \$51,000 and \$202,000, respectively.

(8) Legal Proceedings

GBHC has filed tax appeals with the New Jersey Tax Court challenging the amount of its real property assessment for calendar years 1996 through 2001, inclusive, and intends to file a timely appeal for 2002. The City of Atlantic City has also appealed the amount of the assessments for 1996 through 2001.

GBHC has discovered certain failures relating to currency transaction reporting and self-reported the situation to the applicable regulatory agencies. GBHC has conducted an internal examination of the matter and the New Jersey Division of Gaming Enforcement is conducting a separate review. GBHC has revised internal control processes and taken other measures to address the situation. GBHC may be subjected to regulatory remedies, which may include cash penalties. However, the potential cash penalties cannot be estimated at this time.

GBHC is a party in various legal proceedings with respect to the conduct of casino and hotel operations. Although a possible range of losses cannot be estimated, in the opinion of management, based upon the advice

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

of counsel, GBHC does not expect settlement or resolution of these proceedings to have a material adverse impact upon the consolidated financial position or results of operations of GBHC, but the outcome of litigation is subject to uncertainties. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties described above.

(9) Acquisition of Lieber Check Cashing and the Agreement for the Option Parcels

Effective September 2, 1998 and as part of a certain settlement agreement, GBHC acquired the membership interests in Lieber from affiliates of GBCC for \$251,000. GBHC also caused Lieber to acquire the rights to purchase the Pacific Avenue Hotel for a payment of \$1.3 million and a payment of \$500,000 at the Effective Date of a plan of reorganization. The purchase price of the Pacific Avenue Hotel was \$10 million. With Bankruptcy Court approval, Lieber closed on that purchase with funds advanced by GBHC in 1999. In September 2000, title to the land underlying the former Pacific Avenue Hotel was transferred to GBHC. Demolition of the existing structures was completed in 1999 and construction of the new front entrance to the Sands' facility on Pacific Avenue was completed in June 2000. The \$500,000 due under the settlement agreement was paid on the Effective Date.

(10) Acquisition of Claridge Administration Building

In April 2000, GBHC entered into an agreement with the entities controlling the Claridge Hotel and Casino (the "Claridge") to acquire the Claridge Administration Building. The purchase price was \$3.5 million, consisting of \$1.5 million in cash at closing and \$2.0 million consideration tendered through the elimination for 40 months of a \$50,000 monthly license fee paid by the Claridge to GBHC, under an agreement between the Claridge and GBHC governing the development and operation of the "People Mover" leading from the boardwalk to the Sands and the Claridge. The present value of the \$2.0 million consideration has been recorded in other current and other noncurrent liabilities sections of the balance sheet.

(11) Employee Retirement Savings Plan

Effective January 1, 1999, GBHC administers and participates in the Sands Retirement Plan, a qualified defined contribution plan for the benefit of all of GBHC's employees, who satisfy certain eligibility requirements.

The Sands Retirement Plan is qualified under the requirements of Section 401(k) of the Internal Revenue Code allowing participating employees to benefit from the tax deferral opportunities provided therein. All employees of GBHC, who have completed one year of service, as defined, and who have attained the age of 21, are eligible to participate in the Savings Plan.

The Sands Retirement Plan provides for a matching contribution by GBHC based upon certain criteria, including levels of participation by GBHC's employees. GBHC incurred matching contributions totaling \$700,000 and \$753,000 for the years ended December 31, 2001 and 2000, respectively.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(12) Supplemental Cash Flow Information

Interest Paid, Interest Capitalized and Income Taxes paid during the periods presented are set forth below:

	<u>Three Months Ended</u>		<u>Year Ended December 31,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Interest paid	\$ 6,060,000	\$ 18,000	\$ 12,156,000	\$ 75,000
Interest Capitalized	\$ 1,207,000	\$ -	\$ 1,207,000	\$ -
Income Taxes paid	\$ 150,000	\$ -	\$ 150,000	\$ 932,000

(13) Disclosures about Fair Value of Financial Instruments

Disclosure of the estimated fair value of financial instruments is required under SFAS No 107, "Disclosure About Fair Value of Financial Instruments." The fair value estimates are made at discrete points in time based on relevant market information and information about the financial instruments. These estimates may be subjective in nature and involve uncertainties and significant judgment and therefore cannot be determined with precision.

Cash and cash equivalents are valued at the carrying amount. Such amount approximates the fair value of cash equivalents because of the short maturity of these instruments.

Obligatory investments are valued at a carrying amount which includes an allowance reflecting the below market interest rate associated with such investments.

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Other debt obligations with a short remaining maturity are valued at the carrying amount.

The estimated carrying amounts and fair values of GBHC's financial instruments at December 31, 2001 and 2000 are as follows:

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and cash equivalents	\$ 57,369,000	\$ 57,369,000	\$ 77,903,000	\$ 77,903,000
Obligatory investments	9,302,000	9,302,000	7,918,000	7,918,000
Financial Liabilities:				
Interest payable	3,092,000	3,092,000	3,092,000	3,092,000
New Notes	110,000,000	90,750,000 (a)	110,000,000	110,000,000
Lieber Mortgage	-	-	450,000	450,000
Other notes payable	371,000	371,000	388,000	388,000

(a) Based on the market closing price of GB Property Funding's publicly traded New Notes on December 31, 2001 as reported by the American Stock Exchange.

(14) Prepaid Expenses and Other Current Assets

As of December 31, 2001 and 2000, prepaid expenses and other current assets consisted of the following:

	<u>2001</u>	<u>2000</u>
Prepaid expenses	\$ 1,854,000	\$ 2,319,000
Deferred income taxes and income tax receivable	759,000	1,159,000
Deposits	209,000	181,000
Other current assets	202,000	207,000
	<u>\$ 3,024,000</u>	<u>\$ 3,866,000</u>

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(15) Property and Equipment

As of December 31, 2001 and 2000, property and equipment consisted of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 54,814,000	\$ 54,814,000
Buildings and improvements	84,890,000	81,337,000
Operating equipment	27,321,000	18,252,000
Construction in progress	<u>17,003,000</u>	<u>6,763,000</u>
	184,028,000	161,166,000
Less: accumulated depreciation and amortization	<u>(13,016,000)</u>	<u>(2,706,000)</u>
Net property and equipment	<u><u>\$ 171,012,000</u></u>	<u><u>\$ 158,460,000</u></u>

(16) Other Accrued Expenses

As of December 31, 2001 and 2000, other accrued expenses consisted of the following:

	<u>2001</u>	<u>2000</u>
Accrued salaries & wages	\$ 3,162,000	\$ 3,079,000
Accrued interest	3,092,000	3,092,000
Accrued insurance	1,670,000	2,411,000
Accrued payroll taxes	982,000	1,345,000
Regulatory fees	611,000	664,000
Accrued reorganization fees	155,000	1,280,000
Other accrued expenses	<u>4,668,000</u>	<u>4,672,000</u>
	<u><u>\$ 14,340,000</u></u>	<u><u>\$ 16,543,000</u></u>

GREATER BAY HOTEL AND CASINO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(17) Other Current Liabilities

As of December 31, 2001 and 2000, other current liabilities consisted of the following:

	<u>2001</u>	<u>2000</u>
Unredeemed chip/token liability	\$ 1,250,000	\$ 1,313,000
Employee Retirement Plan and Union Benefits	635,000	1,033,000
CRDA payable	633,000	652,000
CAB Liability	537,000	486,000
Other	763,000	799,000
	<u>\$ 3,818,000</u>	<u>\$ 4,283,000</u>

(18) Other Liabilities

As of December 31, 2001 and 2000, other liabilities consisted of the following:

	<u>2001</u>	<u>2000</u>
CRDA - East Hall liability	\$ 3,020,000	\$ 2,903,000
CAB non-current	339,000	875,000
Other	480,000	480,000
	<u>\$ 3,839,000</u>	<u>\$ 4,258,000</u>

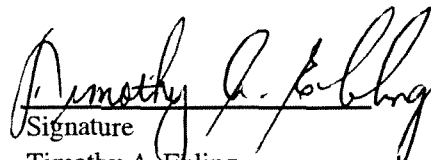
(19) Extraordinary Item and Reorganization Costs

As of December 31, 2001 and 2000, extraordinary item and reorganization costs consisted of the following:

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Reorganization costs	\$ -	\$ (34,000)	\$ -	\$ 2,773,000
Gain on pre-petition debt discharge	-	-	-	(14,795,000)
	<u>\$ -</u>	<u>\$ (34,000)</u>	<u>\$ -</u>	<u>\$ (12,022,000)</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.


Signature
Timothy A. Eoling
Executive Vice President,
Chief Financial Officer
Title

003052-11
License Number

On Behalf Of:

Greate Bay Hotel And Casino, Inc.
Casino Licensee

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
ANNUAL EMPLOYMENT AND PAYROLL REPORT
AT DECEMBER 31, 2001

(\$ IN THOUSANDS)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO				
1	Administration	9	\$	\$	\$ 776
2	Gaming	585			11,890
3	Slots	174			4,830
4	Casino Accounting	261			6,667
5	Simulcasting	19			420
6	Other	56			855
7	Total - Casino	1,104	\$	\$	\$ 25,438
8	ROOMS	365			8,348
9	FOOD AND BEVERAGE	738			14,641
	OTHER OPERATED DEPARTMENTS				
10	VALET/HEALTH CLUB	98			1,503
11	RETAIL SERVICES	10			277
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	4			1,217
21	Accounting and auditing	41			1,712
22	Security	214			4,730
23	Other administrative and general department	76			3,052
24	MARKETING	140			6,167
25	GUEST ENTERTAINMENT	172			1,063
26	PROPERTY OPERATION AND MAINTENANCE	55			2,185
27	TOTALS - ALL DEPARTMENTS	3,017	\$68,443	\$1,890	\$70,333

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.


TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2001

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 28, 2002
Date


Signature
Timothy A. Ebling
Executive Vice President,
Chief Financial Officer

Title

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2001

(\$ IN THOUSANDS)

LINE

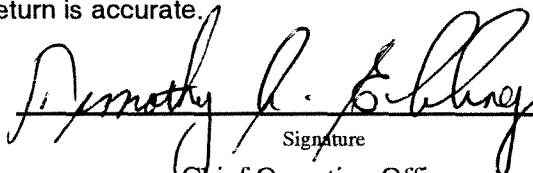
CASINO WIN:

1	Table and Other Games Win.....	\$	70,176
2	Slot Machines Win.....		166,657
3	Total Win.....		236,833
Less - Adjustment for Uncollectible Patrons' Checks:			
4	Provision for Uncollectible Patrons' Checks.....	\$	4,297
5	Maximum Adjustment (4% of line 3).....	\$	9,473
6	Adjustment (the lesser of line 4 or line 5).....		4,297
7	Gross Revenue (line 3 less line 6).....	\$	232,536
8	Tax on Gross Revenue - Reporting Year (8% of Line 7).....	\$	18,603
9	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years.....		-
10	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....		18,603
11	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....		(18,603)
Settlement of Prior Years' Tax on Gross Revenue			
12	Resulting from Audit or Other Adjustments - (Deposits) Credits.....		-
13	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12).....	\$	18,603

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 14, 2002

Date

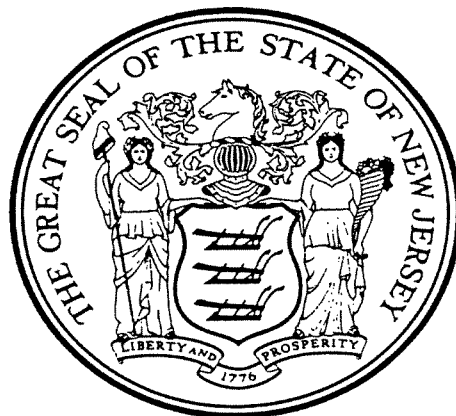

Signature
Chief Operating Officer

Title of Officer

SCHEDULE OF RECEIVABLES AND PATRON'S CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2001

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
**SCHEDULE OF RECEIVABLES AND
PATRONS' CHECKS**
FOR THE YEAR ENDED DECEMBER, 2001

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 3,981		
2	Returned Patrons' Checks.....	18,161		
3	Total Patrons' Checks.....	22,142	\$ (14,183)	\$ 7,959
4	Hotel Receivables.....	557	(34)	523
	Other Receivables:			
5	Receivables Due from Officers and Employees..	-		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	600		
8	Total Other Receivables.....	600	(189)	411
9	Totals (Form CCC-205).....	\$ 23,299	\$ (14,406)	\$ 8,893

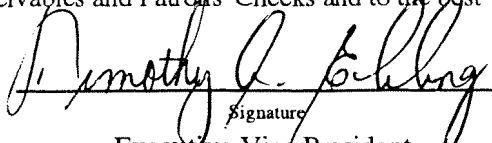
UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 7,042
11	Counter Checks issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	137,814
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	(94,117)
13	Checks Collected Through Deposits.....	(31,178)
14	Checks Transferred to Returned Checks.....	(15,580)
15	Other Adjustments.....	
16	Ending Balance.....	\$ 3,981
17	"Hold" Checks Included in Balance On Line 16.....	\$
18	Provision for Uncollectible Patrons' Checks.....	\$ 4,297
19	Provision as a Percent of Counter Checks Issued.....	3.1%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

March 29, 2002

Date


Signature

Executive Vice President,

Chief Financial Officer